

**CITY OF MORGAN HILL
JOINT REGULAR CITY COUNCIL AND
REGULAR REDEVELOPMENT AGENCY MEETING
MINUTES – JANUARY 17, 2007**

CALL TO ORDER

Mayor/Chairman Tate called the meeting to order at 7:00 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Carr, Grzan, Lee, Sellers, and Mayor/Chairman Tate

DECLARATION OF POSTING OF AGENDA

City Clerk/Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

Mayor/Chairman Tate announced that item No. 21 relating to the southeastern quadrant and the Urban Limit Line study, has been removed from this evening's agenda, and will be heard next week (January 24, 2007). He stated that this item has been rescheduled so that individuals would not have to wait too late this evening to hear about the item. However, if there were individuals in attendance this evening seeking to address the Council on this item, the Council would be willing to hear the testimony later in the evening.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

PRESENTATIONS

PROCLAMATIONS

Mayor Tate presented Gayle Rohner with a proclamation, proclaiming the Month of January 2007 as *National Blood Donor Month*.

INTRODUCTIONS

Human Resources Director Fisher recognized the 2006 City Employee Peak Performance Awards; recipients as follows: *Customer Service Award* - Street Maintenance Crew: Anne Beale, Ron Cermeno, Tony Haro, Ernie Wilson, and Rudy Zamarron; *Innovation Award* - Officer Mindy Zen; *Challenge Award* - Sergio Jauregui; *Professional Growth Award* - Monica Delgado; *Teamwork Award* - Business Assistance and Housing Services Staff Members: Sheryll Bejarano, Teresa Crue, Jim Dumas, Mary Anne Kendall, Joyce Maskell, Steve Pendleton, Margarita Huertas-Belagso, and Garrett Toy; and *Employee of the Year* - Tina Rodriguez

RECOGNITIONS

CITY COUNCIL REPORT

Council Member Grzan indicated that he grew up in the 1960s, an incredible time with turmoil. Martin Luther King, Jr., and Robert Kennedy were assassinated, the Vietnam War and civil rights were taken place, and the environment divided the nation. He stated that President Johnson started what was termed the “Great Society.” However, with a war raging across the Pacific Ocean, the nation could not afford to take on either. With all the controversies, time held a great promise. The nation headed toward a new direction, going to the moon and sacrificing self interests for the interest of everyone. He stated that in looking back, he was saddened by what was not done in comparison to what was done. He felt that one of the more remarkable failures of the time was to establish affordable healthcare. He indicated that healthcare costs continue to devastate families, hinders government, and constrains good businesses. He stated that healthcare costs accounts for approximately 68% of all personal bankruptcies. Administrative costs should account for no more than 13%, but accounts for well over 30%. He said that from 1998 to 2002, these costs rose 95% as noted by the Kaiser Foundation. It is felt that market pressures will control costs, but individuals suffering from a heart attack will not conduct cost comparisons for hospitals. He felt that individuals have few choices and when individuals chose; it is for no healthcare. He stated that 45 million Americans do not have healthcare. When needed, it is because individuals are very ill, and may develop complications. He said that an individual is usually stuck with the costs of over inflated items. Individuals who can afford to pay, pay the most. He said that healthcare costs continue to rise, and that this affects everyone. He did not know how individuals without insurance would be able to cover the cost for emergency care visits. He did not believe that anyone in America should be deprived of healthcare because of the inefficient method in which healthcare is administered.

Council Member Grzan said that soon, there will be an opportunity to make a difference; moving away from self interests for the interest of everyone. He did not believe the solution lies with what the governor proposes, as it fell short of cost relief. He said that the Governor limited the contributions of employers to 4%; guaranteeing that healthcare costs will be costly and inaccessible to most citizens. He indicated that State Senator Sheila Kuehl has re-introduced SB840, a universal healthcare bill. This bill will assist in making healthcare affordable to everyone; reducing costs for families from \$300 to \$3,000 per year, on average. The bill would give individuals a full and inclusive choice of doctors; providing full healthcare coverage to everyone for life. It will provide access to prescription drugs at a drastically reduced cost. Preexisting conditions would be covered, even if you lose or change your job. He indicated that insurance premiums will be passed onto payroll. Approval of this bill would remove a growing and contentious issue between labor and management. He felt that the State, local government and Morgan Hill will benefit from reduced costs that would lead to potential new services and lower fees. By developing a single, non profit organization to manage costs would become more efficient in delivering healthcare services. It is estimated that there can be a savings of well over \$340 billion in a 10-year time. He felt that it was time to start thinking about everyone; young/old and everyone in between. He felt that the bill would be an extraordinary opportunity to provide healthcare that everyone needs with no worries about catastrophic illnesses, that your home/life savings may be taken away, and/or make you homeless/indigent. He recommended that we give our children and ourselves the greatest opportunity of all: healthcare. He stated that in the future he will bring the issue of healthcare to the Council to request that it endorse SB840, the universal healthcare bill.

Council Member Grzan announced that on January 20, 2007, a grand opening will be held at 10 a.m. of the *Morgan Hill Off Leash Dog Park* at Community Park. It was his hope that the community will participate in the grand opening of this new facility.

CITY COUNCIL COMMITTEE REPORTS

CITY MANAGER REPORT

City Manager Tewes noted that Mayor/Chairman Tate announced that Agenda Item 21 would return to the Council on January 24 for consideration. He indicated that earlier this evening, Mr. Richard Jensen left two letters with the City Clerk regarding items 19 and 20; indicating that Mr. Jensen could not stay for the meeting. He said that at the appropriate time, City Clerk Torrez would provide the Council with copies of Mr. Jensen's materials that will be included for Council consideration of these two items. He noted that there were two items on the Consent Calendar this evening relating to Galvan Park. He said that over the past six years, the City has been making a series of improvements to this Park. On the consent calendar, staff is recommending the Council take advantage of the fact that this Park is located within a neighborhood that is eligible for a special federal program under the Community Development Block Grant. He indicated that staff is recommending Council consider the award of a contract for the replacement of the restroom facility and the backstop as part of the continuing effort to improve this facility. He informed the Council that the Parks Division of the Public Works Department has worked closely with the Police Department to discuss adding security lighting and other features to the park. He stated that this is a major commitment the City is continuing with, and will continue into the future.

CITY ATTORNEY REPORT

City Attorney Kern stated that she did not have a report to present this evening.

OTHER REPORTS

Council Member Carr indicated that he attended the annual meeting of the Santa Clara County Cities Association. At the beginning of the meeting, the Cities Selection Committee appointed different Council members to different regional bodies that represent Santa Clara County. He stated that appointments were made to the Bay Area Air Quality Management District, and two seats on the Integrated Waste Management Board for different jurisdictions. Discussed was the seat for the Metropolitan Transportation Commission (MTC) to which Santa Clara County has a seat. He indicated that the Santa Clara County Commissioner had a term that expired. He stated that this Commissioner is no longer an elected official in Santa Clara County, but was seeking reappointment to this Commission. He said that MTC's rules are vague on whether the appointment needs to be an elected official or not. The MTC counsel deemed that this rule was vague and could not make a recommendation. He informed the Council that the executive board recommended that the bylaws of the Selection Committee be changed to stipulate that only elected officials can be appointed to these positions. However, the executive board decided not to adopt the amended bylaws at the meeting, and decided to give additional time to council members to consider the proposed actions on these items before the next meeting. He stated that this remains an issue that needs to be decided upon by the Cities Selection Committee as to whether they will appoint non elected officials to regional positions. He noted that the current term on the MTC has not expired, and that he inquired whether the Selection Committee can make an interim appointment until it decides what it will do on this issue.

Mayor Tate thanked Mayor Pro Tempore Carr for attending the Santa Clara County Cities Association meeting in his absence. He indicated that he, Council Member Lee, and City Manager Tewes attended a three-day training session in Sacramento last week, sponsored by the League of California Cities. As he and Council Member Lee are in new positions on the City Council, they felt it would be a good opportunity to receive a refresher/new exposure to serving as a new Mayor and Council Member.

PUBLIC COMMENT

Mayor/Chairman Tate opened the floor to public comments for items not appearing on this evening's agenda. No comments were offered.

City Council and Redevelopment Agency Action

ADOPTION OF AGENDA

Mayor/Chairman Tate noted that the Council rescheduled item 21 to the meeting of January 24, 2007.

Action: *By consensus, the Council/Agency Board **adopted** the remainder of the agenda items as posted.*

City Council Action

CONSENT CALENDAR:

Council Member Grzan requested a staff report be presented on Consent Calendar Item 2.

Council Member Sellers requested that item 3 be removed from the Consent Calendar for a question. He indicated that he would like to record an abstention on Consent Calendar Item 8.

Mayor Pro Tempore Carr indicated that he would like to record an abstention on Consent Calendar Items 7 and 8 as both items are within 500 feet from his residence.

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Carr, the City Council unanimously (5-0) **Approved** Consent Calendar Items 1, and 4-11, as follows (showing abstentions on items 7 and 8):*

1. **NEW LIBRARY PROJECT – DECEMBER 2006 CONSTRUCTION PROGRESS REPORT**

Action: **Information** Only.

4. **AUTHORIZE THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH SANTA CLARA COUNTY FOR THE COUNTY'S PAYMENT OF COSTS FOR PAVEMENT IMPROVEMENTS RELATIVE TO ANNEXED UNINCORPORATED POCKETS**

Action: **Authorized** the City Manager to Execute an Agreement with Santa Clara County that it Pay \$22,906 in Costs for Pavement Improvements Needed on Roadways Included within the Annexation of Unincorporated Pockets.

5. **AMEND CONSULTANT AGREEMENT FOR CONSTRUCTION SERVICES AT NEW LIBRARY PROJECT**
*Action: **Amended** Consultant Agreement with MH Engineering Co., Inc. for an Additional Fee not to Exceed \$10,000; Subject to Review and Approval by the City Attorney.*
6. **RESOLUTION AMENDING 2005 SPEED SURVEY**
*Action: **Adopted** Resolution No. 6076, Amending Resolution No. 5944 - Established Designated Speed Limits on City Streets.*
7. **ACCEPTANCE OF PAVEMENT RESURFACING 2006-2007**
*Action: 1) **Accepted** as Complete the 2006-2007 Street Resurfacing Project in the Final Amount of \$1,020,197; and 2) **Directed** the City Clerk to File a Notice of Completion with the County Recorder's Office. (**Vote**: 4-0-1 with Council Member Carr noting an abstention on this item.)*
8. **ACCEPTANCE OF 2006-2007 PAVEMENT CRACK SEALING PROJECT**
*Action: 1) **Accepted** as Complete the 2006-2007 Pavement Crack Sealing Project in the Final Amount of \$35,100; and 2) **Directed** the City Clerk to File a Notice of Completion with the County Recorder's Office. (**Vote**: 3-0-2 with Council Members Carr and Sellers noting abstentions on this item.)*
9. **COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) RE-PROGRAMMING AND TRANSFER OF FUNDS**
*Action: 1) **Approved** Re-Programming of \$85,459 in Fiscal Year 2006-2007 CDBG Funds from the Galvan Soccer Fields Project to the Galvan Park Restroom/Backstop Project; 2) **Approved** Transfer of \$133,211.08 in CDBG Funds Allocated to the Galvan Park Restroom/Backstop Project from Previous Fiscal Years to the Current Fiscal Year; and 3) **Authorized** the City Manager to do Everything Necessary and Appropriate to Reprogram/Transfer the CDBG Funds; Subject to Review and Approval by the City Attorney.*
10. **ADOPT ORDINANCE NO. 1814, NEW SERIES**
*Action: **Waived** the Reading, and **Adopted** Ordinance No. 1814, New Series, and **Declared** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A ZONING AMENDMENT REQUEST TO REZONE A 1.08-ACRE SITE LOCATED ON THE EAST SIDE OF DEL MONTE AVENUE APPROXIMATELY 80 FEET NORTH OF CHRISTINE LYNN DRIVE FROM R2 (3,500) TO R2 (3,500)/RESIDENTIAL PLANNED DEVELOPMENT (RPD) AND TO ADOPT A PRECISE DEVELOPMENT PLAN FOR THE CONSTRUCTION OF SIX MULTI-FAMILY HOMES. (APN 764-12-025)(ZA-06-10: DEL MONTE-GIOVANNI)***
11. **ADOPT ORDINANCE NO. 1815, NEW SERIES**
*Action: **Waived** the Reading, and **Adopted** Ordinance No. 1815, New Series, and **Declared** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A DEVELOPMENT AGREEMENT FOR APPLICATION MMC-04-05: DEL MONTE-GIOVANNI. (APN 764-12-025)(DA-05-09: DEL MONTE-GIOVANNI)***

Redevelopment Agency Action

CONSENT CALENDAR:

Action: *On a motion by Agency Member Sellers and seconded by Vice-chair Carr, the Redevelopment Agency Board unanimously (5-0) **Approved** Consent Calendar Item 12 as follows:*

12. ANNUAL STATE REDEVELOPMENT REPORTS FOR FISCAL YEAR 2005-2006

Action: ***Filed** 2005-2006 Redevelopment Agency's Annual Report of Financial Transactions, Housing Annual Report of Housing Activity, and Property Report.*

City Council and Redevelopment Agency Action

CONSENT CALENDAR:

Action: *On a motion by Council/Agency Member Sellers and seconded by Mayor Pro Tempore/Vice-chair Carr, the City Council/Agency Board unanimously (5-0) **Approved** Consent Calendar Item 13 as follows:*

13. JOINT SPECIAL AND REGULAR CITY COUNCIL AND REGULAR REDEVELOPMENT AGENCY MEETING MINUTES OF DECEMBER 20, 2006

Action: ***Approved** the Minutes as Submitted.*

City Council Action

2. RECREATION AND COMMUNITY SERVICES DEPARTMENT CITY MANAGER AUTHORIZED RATE ADJUSTMENTS

City Manager Tewes indicated that in an earlier action, the City Council authorized the City Manager to adjust the prices and rates at various public facilities, provided that staff immediately reported the adjustments to the Council. He stated that the purpose of this agenda item is to report the adjustments to the Council.

Recreation and Community Services Director Rymer informed the Council that this Department has an extensive fee schedule for the programs and services provide at all of the recreational facilities and park system. He said that staff is requesting the Council approve adjustments within the Community & Cultural Center and the Centennial Recreation Center. He stated that the goal of the fee adjustments is to attract and retain new users to the facilities/services. He indicated that the most extensive changes put into place are specials for the Community & Cultural Center. Staff is attempting to generate new businesses to fill the empty space at the Community & Cultural Center. He said that a frequent user fee reduction is proposed. Even though a fee reduction is proposed, he stated that the fees will still be higher than what was charged last year. Therefore, from a fiscal stand point, the City will still have the same number of rentals, but with a higher rental rate from the past budget. He said that it is staff's belief that

the income should still go up. At the Centennial Recreation Center, staff is recommending the inclusion of a corporate membership policy with the waiver of the one time processing fee in exchange for companies coming forward with 10 or more memberships in one transaction.

Council Member Grzan felt that the rate structure being proposed will be reducing fees for certain activities. He noted that staff stated that some of the users have indicated that they would not be using the facility as much as they have in the past due to higher rates. He inquired what method the City would be using in the future so that the City does not create difficulties with continued use of the facility. What will change in the City's formula so that more accurate projections can be achieved?

Mr. Rymer responded that staff proposes to conduct local market studies to determine rental prices for similar facilities. He said that as the City starts pricing its services, staff will attempt to price them in an area that can achieve the cost recovery established by the Council; and yet entice individuals to use the City's facilities. He informed the Council that staff agrees that the City made too dramatic of an increase at the time, and staff is returning to the Council to state that the City has out priced itself in some of the areas. He stated that as long as the usage/participation remains the same, there should not be a fiscal impact. He said that there may be an increase in revenues because the City would not be losing use of the facilities.

Council Member Lee recommended the City conduct a rate comparison before implementing rate increases to make sure the City is not pricing itself out of the market.

Mr. Rymer informed the Council that staff conducted a survey of Santa Clara County and the School District before establishing the gymnasium prices at the Centennial Recreation Center, and will continue to conduct such studies.

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Carr, the City Council unanimously (5-0) **Accepted** Staff Report and Supporting Documentation for the Authorized Rate Adjustments.*

3. AWARD OF GALVAN PARK RESTROOM AND BASEBALL BACKSTOP REMOVAL AND INSTALLATION PROJECT

Council Member Sellers indicated that he was familiar with Galvan Park and appreciates that this is an item where the City will be replacing the backstop at the ball field as well as the bathrooms that were inadequate 30-years ago, and continue to be inadequate today. He said that the City is replacing these items because replacement is well overdue and that this is a great project. He noted that there are individuals who can hit the ball far and clear the right field fence easily; resulting in the ball going into the street and/or the apartment complex located across the street. He requested that staff address the new design and how it would mitigate this concern.

Deputy Director of Public Works Struve addressed the scope of the project; indicating that it would not address the fence in the outfield. However, there is an opportunity to look into Council Members Sellers concern about the right field fence in future phases. He informed the Council that staff has applied for

fiscal year 2007-08 funding to try and start the design of the soccer field renovation and security lighting. He indicated that staff can include funding to look at the right field fence at the ball field.

Council Member Sellers requested that staff keep looking for funding to complete the balance of the project.

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Carr, the City Council unanimously (5-0): 1) **Appropriated** \$85,000 from Park Maintenance Fund (302) to Galvan Park Restroom and Baseball Backstop Removal and Installation Project, #123A03, Subject to Reimbursement with Community Block Grant Funding, if Approved by Santa Clara County; 2) **Awarded** Contract to ESR Construction for the Construction of the Galvan Park Restroom and Baseball Backstop Removal and Installation Project in the Amount of \$227,063; and 3) **Authorized** Expenditure of Construction Contingency Funds not to Exceed \$22,706.*

City Council Action

PUBLIC HEARINGS:

14. RESOLUTION AUTHORIZING THE SANTA CLARA COUNTY DEPARTMENT OF AGRICULTURE AND RESOURCE MANAGEMENT TO ABATE WEEDS – Resolution Nos. 6077, 6078, and 6079

Mayor Pro Tempore Carr stated that he would be recusing from voting on Resolution C as he resides within 500 feet from one of parcels listed on the 2007 Hazardous Vegetation Management Program.

Council Member Sellers stated that he would be recusing from voting on Resolution B as he resides within 500 feet from two parcels on the 2007 Hazardous Vegetation Management Program.

Council Services and Records Manager Torrez indicated that Chapter 8.20 of the Municipal Code and Government Code Section 39560 and following, authorizes the City Council and the City to control the growth of hazardous vegetation. She stated that the City has an ongoing contract with the Santa Clara County Department of Agricultural and Resource Management to provide abatement of properties, should the property owners not be able to maintain their properties, as required. She informed the Council that attached to the staff report are properties that have been inspected by the Department of Agricultural and Resource Management and have been included in the 2007 Hazardous Vegetation Management Program. These properties have been found to have unsafe vegetation during the growing season. Once property has been identified as having hazardous material, the property stays on the Program for three years. She informed the Council that the Santa Clara County Agricultural Commissioner mailed out Hazardous Vegetation Management Program letters on December 6, 2006 to all property owners who have been identified with hazardous vegetation from weeds or other debris. The letter informs the property owners of this evening's public hearing to which property owners can come before the Council to address their properties being listed under the 2007 Hazardous Vegetation Program. The letter further notifies property owners that they have until April 1, 2007 to notify the County that they no longer own the property, whether they plan to abate the weeds, or request the

County to abate the weeds. Property owners were advised that they can avoid abatement costs by completing the abatement work themselves and maintaining the minimum required standards as outlined by the County.

Ms. Torrez informed the Council that the County will also furnish property owners with a courtesy notice on April 15 that they have one more opportunity to abate the weeds before the County undertakes this task for them. Should the County perform the abatement work, these costs would be assessed as a special tax on property bills. However, before this can be done, the City Council will conduct a public hearing in July or August; allowing the property owners to come before the Council to address any concerns they may have.

Ms. Torrez indicated that on December 20, 2006, the Council adopted Resolution No. 6073; declaring hazardous vegetation growing in Morgan Hill to be a public nuisance and set this evening as the date for the public hearing where property owners can address the Council on the 2007 Hazardous Vegetation Management Program. She stated that staff posted a notice of this public hearing in the Morgan Hill Times according to Government Code Section 39566. Further, that a list of properties that have been identified on the 2007 Program have been posted at City Hall 10 days prior to this evening's meeting. Staff has presented the Council three resolutions: Resolution A includes the extensive list of properties that have been included the 2007 Program and authorizes the County to abate the weeds. Resolution B facilitates Council Member Sellers from abstaining/recusing from voting on this resolution at it relates to two parcels. Resolution C contains 1 property that would be included in the 2007 Program and would allow Mayor Pro Tempore Carr from abstaining/recusing himself on this resolution. She informed the Council that Mr. Moe Kumre, Weed Abatement Program Coordinator, was in attendance to respond to any questions the Council may have this evening.

Mayor Tate opened the public hearing.

Flavia Polensky expressed concern that it is not clear as to what is considered a weed and what is being maintained as a natural area. She was not sure about the process of which to maintain a natural area that contains a serpentine rock formation or other native plant species. She indicated that her property is large, contains natural areas, and that she maintains a fire break. She further expressed concern that the additional areas of the property are a part of a natural eco system; and that trying to maintain/cut them according to this particular plan would not allow certain species to re-seed. She requested that there be some mechanism in place that allows dialogue with property owners in order to determine what is truly a weed versus natural grasslands or native wildflowers.

Mr. Moe Kumre, Weed Abatement Program Coordinator, said that the issue of a property being added to the Program means that there was either a complaint issued, or an inspector happened by the area and noted the property was out of compliance during the fire season. He informed the Council that the letter mailed to property owners includes a telephone number to call his office. He indicated that he would be happy to meet with anyone on the list who received notice, and work with them to describe what they need to do to bring their land into compliance. He said that it is likely that this property owner brought her land into compliance, but that it may have been after the inspection. Even though corrected, the property would be added to the Program for three years.

No further comments being offered, the public hearing was closed.

Action: *On a motion by Mayor Pro Tempore Carr and seconded by Council Member Sellers, the City Council unanimously (5-0) **Adopted** Resolution No. 6077, Authorizing the Santa Clara County Department of Agriculture and Resource Management to Abate Weeds, Excluding Assessor Parcel Numbers (APN) 726-24-019, 726-24-020, and 764-48-020.*

Council Member Sellers stepped down from the Dais regarding Resolution No. 6078.

Action: *On a motion by Mayor Pro Tempore Carr and seconded by Council Member Lee, the City Council, on a 4-0 vote with Council Member Sellers absent, **Adopted** Resolution No. 6078, Authorizing the Santa Clara County Department of Agriculture and Resource Management to Abate Weeds for APN 726-24-019 and 726-24-020.*

Council Member Sellers resumed his seat on the Dais.

Mayor Pro Tempore Carr stepped down from the Dais regarding Resolution No. 6079.

Action: *On a motion by Council Member Lee and seconded by Council Member Sellers, the City Council, on a 4-0 vote with Mayor Pro Tempore Carr absent, **Adopted** Resolution No. 6079, Authorizing the Santa Clara County Department of Agriculture and Resource Management to Abate Weeds for APN 764-48-020.*

Mayor Pro Tempore Carr resumed his seat on the Dais

15. DEVELOPMENT AGREEMENT APPLICATION, DA-06-06: MONTEREY – GUNTER
 – Ordinance No. 1817, New Series

Planning Manager Rowe presented the staff report on a request for approval of a development agreement for a 15-unit vertical mixed use project located north of East Main Avenue, across from the new brew pub; the first of a successful downtown Measure C competition projects coming before the City Council. Staff recommends the Council introduce the ordinance approving the development agreement following the public hearing.

Council Member Sellers recollected that this project was originally proposed as an 18-unit residential mixed use project. In order to conform to the constraints of Measure C, the project was reduced to a 15-unit residential mixed use project. Should the community deem it appropriate to have these types of units, he inquired as to the options the applicant and/or the City has for trying to include the three units subsequently.

Planning Manager Rowe said that there are currently 3 unallocated units that have been set aside for the micro project competition. He indicated that these were the only uncommitted allotments through fiscal year 2009-10. He said that staff will need to determine whether or not the estimated 246 total allocations for the year is the correct number. He said that staff will calculate the math after the Department of Finance estimates are released this spring. Staff may find that it calculated wrong and there may not be 3 unallocated units available, or staff may find that there may be more than 246 allotments. If this is the case, there may be additional unallocated units to be made available.

Mayor Tate opened the public hearing. No comments being offered, the public hearing was closed.

Action: *On a motion by Mayor Pro Tempore Carr and seconded by Council Member Sellers, the City Council unanimously (5-0) **Waived** the Reading in Full of Ordinance No. 1817, New Series.*

Action: *On a motion by Mayor Pro Tempore Carr and seconded by Council Member Sellers, the City Council **Introduced** Ordinance No. 1817, New Series by Title Only as follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A DEVELOPMENT AGREEMENT FOR APPLICATION MC-05-03: MONTEREY - GUNTER (APN 726-23-008) (DA-06-06: MONTEREY - GUNTER)** by the following roll call vote: **AYES:** Carr, Grzan, Lee, Sellers, Tate; **NOES:** None; **ABSTAIN:** None; **ABSENT:** None.*

Mayor Pro Tempore Carr said that this is an exciting development agreement to approve as this is the first small mixed use project the Council has been talking about for the downtown for some time. He was pleased to see that some individuals are willing to step forward and be the first to move forward. In reading through the items contained in the development agreement, he was impressed with the long list of efficiency items that have been included in making this project energy efficient.

City Council Action

OTHER BUSINESS:

16. MORGAN HILL COMMUNITY BUS PROGRAM

Planning Manager Rowe indicated that this is an item that was before the Council's Regional & Planning Transportation Committee approximately two months ago. The Committee requested that this presentation be provided to the full Council. He informed the Council that his role in the process was to put together a stakeholders group; noting that the members of this group have been listed in the attachment to the staff report. He stated that the stakeholders group will be providing input to the Valley Transportation Authority (VTA) staff on the service plan for the program; indicating that the stakeholders were invited to attend this evening's meeting to receive the presentation. He informed the Council that the stakeholders will be meeting with VTA staff this coming Monday. He introduced Jim Unitas with VTA

Jim Unitas informed the Council that also in attendance this evening were Dan Smith, Chief Operating Officer; Bill Capps, Service Planning Manager; Scott Hayward, Community Relations Department; and Denise Alanese, Marketing Director. He presented a power point presentation of the new Community Bus program. He indicated that VTA implemented a Community Bus pilot program in the Town of Los Gatos and that over the next year, they will implement approximately 45 new buses in this program in different communities in Santa Clara County. It is proposed to use smaller vehicles and new services in order to better serve communities; allowing them to circulate through communities better; and provide better access to high capacity trend services that might be there for Caltrain in Morgan Hill. He indicated that the program will have a unique look, a new identity in the hopes of attracting new riders to the

services, and can be customized to the needs of the communities. He stated that this is a part of VTA's efforts to make their transit services more cost effective; using a new class of operators at a lower wage scale; and using smaller fuel efficient vehicles that allow reduction in costs. He informed the Council that VTA is going through the community bus process with each community. He stated that a stakeholders meeting will be held on Monday to solicit input on what the service should do, discuss what should be done with the new community bus service, and to develop a plan. VTA staff will return to Morgan Hill to conduct a community meeting in February that would eventually lead to the approval by the VTA Board on March/April 2007 in order to implement the program in July 2007. He clarified that existing resources would be used, and that it is not being proposed to expand/contract services. He said that VTA would like to look at how they can redeploy transit services to better meet the ridership demand. He informed the Council that the VTA Board has established performance measures for transit services. He stated that there will be a big effort to market this program; working with the City and the local community in June; in advance of the July 2007 start of the program.

Bill Capps, manager for service planning for VTA, reviewed the transit services that currently exist in Morgan Hill; looking at Lines 15 and 16 for the proposed Community Bus Program. He said that the use of smaller vehicles will allow access to areas in the community that could not be accessed by large vehicles. He addressed current transit ridership; indicating that VTA would like to see ridership numbers increase. He felt that in working with the community, there is an opportunity to find ways to make transit services attractive to more individuals and increase the ridership numbers. He said that VTA staff believes this program will work well in Morgan Hill and Gilroy based on the geographic layout of the two communities.

Council Member Sellers thanked VTA staff for being in attendance this evening, and to City staff for getting the word out about the meeting this evening. He invited community members interested in this issue to join the stakeholders meeting to be held on Monday, January 22, 2007 at 4 p.m. at City Hall and provide input. He indicated that he serves on the Regional Planning & Transportation Committee as well as the VTA Board of Directors, and that he has two opportunities to vote on this Program. He stated that he does not want to vote on the program unless it is a great program and has had significant community input. He noted that there are significant issues on the education community such as how to best serve high school students and others, but others who get educated outside the community that use the transit system to get to those schools. He indicated that there are significant employers who are not maximizing the use of these services. He would like to work with community agencies to make sure that the base riders for all of VTA services continues to be served and continue to have the services that are critically needed. He thanked everyone for attending this evening's meeting. He felt that it would take the efforts of the Council to get the word out and ensure that the public's input is heard so that VTA designs the best route possible.

Action: *The City Council **Received** the Presentation from Santa Clara Valley Transportation Authority (VTA) Staff on the Proposed Community Bus Program for Morgan Hill.*

17. CONSIDERATION OF AN EXPANDED SOCIAL HOST ORDINANCE

Chief of Police Cumming indicated that the item before the Council is the consideration of expanding the City's social host ordinance. He stated that this item came by way of the Public Safety & Community Services Committee by a group of individuals who are a part of the Morgan Hill-San Martin Substance Abuse Prevention Partnership. He said that this group asked that the City take a look at the current social host ordinance; recommending the City follow a model that exists in other parts of the state such as Ventura County. The model proposes to hold individuals responsible for underage drinking. He acknowledged the City has experienced some underage drinking in Morgan Hill as part of large parties that get out of hand. He said that the item before the Council is a recommendation from the Committee to direct the City Attorney and staff to develop an ordinance that would increase fines and defines the size of underage social gatherings. It also includes language that would expand responsibility in the community. The draft ordinance is to return to the City Council for consideration.

Mayor Pro Tempore Carr, Chair of the Public Safety & Community Services Committee, indicated that this was a process that was led by citizens bringing an issue to the table. He said that the Morgan Hill-San Martin Substance Abuse Prevention Partnership came to the Committee to present an idea. The Partnership looked at other types of research and gathered additional information as requested by the Committee. With the information provided by the Partnership, Chief of Police Cumming was able to review other ordinances and extract the best part of what other communities have done into a draft ordinance. The Committee recommends the Council direct the City Attorney and staff to prepare an ordinance under the lines of what Chief of Police Cumming has outlined in the staff report that would add more substance to the ordinance relating to underage drinking at social gatherings and responsibilities.

Council Member Grzan inquired how landlords would be held responsible in the proposed social host ordinance.

Chief of Police Cumming stated that it was the belief that we are all a part of the problem in allowing underage drinking to take place, and therefore, everyone should be a part of the solution. It was his belief landlords need to know what is taking place on their properties, who they are renting to, and what types of activities are occurring on the property. This would apply to other owners of properties such as motels.

Council Member Grzan did not know why a landlord would be held responsible as responsibility seems to imply negligence. He did not know why a landlord would be held negligent for an event that took place in a unit rented out. He did not know how a landlord would prevent underage drinking incidents when there are no prior incidents of underage social gatherings taking place.

Chief of Police Cumming felt that Council Member Grzan's question was a fair question. He indicated that unruly gatherings and underage drinking occurs on properties where landlords are notified. However, nothing is done to stop these activities. He felt the draft ordinance would be effective once a landlord is notified. He stated that it has been the police department's experience that the norm is that these activities continue with no actions being taken by some property owners.

Council Member Grzan inquired how the ordinance could be drafted such that a landlord receives an initial warning, holding repeat offenders accountable for underage drinking following an initial warning. He inquired whether the draft ordinance will give the City some leeway for the first offense, or will action be taken on the first offense.

Chief of Police Cumming felt that there were several layers to address Council Member Grzan's concern. He indicated that the police department has some discretion as they do not have to cite an individual. He said that a police officer could warn the landlord. Should the landlord be cited, they would have their day in court where the court may choose to dismiss the citation because the landlord was not aware/warned about the situation. He felt there was some opportunity to use discretion with the draft social host ordinance. He indicated that there is a recommended change that addresses paying for the cost to respond. A written warning is given that stipulates that the landlord will be charged for the response by the police department. He indicated the City could publicize the proposed ordinance by placing an article in the local newspaper, the City's website, and/or hold meetings with groups of landlords/property owners.

Council Member Grzan felt that it would be good to have an ordinance, but that it could be that the problem could be publicized without having a need for an ordinance.

Chief of Police Cumming stated that it may appear the City is trying to be punitive in this situation; clarifying the City is trying to prevent underage drinking from taking place. He acknowledged that there is a punitive part included. However, the City is trying to raise the bar in the community by stating that everyone is responsible for the problem, and to make everyone responsible for the solution to curb this problem.

Council Member Lee said that a landlord may be renting a room or an apartment without knowledge of the purpose of the rental. She expressed concern that the City would be placing the onus upon the landlord/managers who do not necessarily know the activities of their tenants. She understands there may have been some problems in the past with landlords not taking actions. Perhaps, the City could impose penalties based on the number of occurrences.

Mayor Tate opened the floor to public comment.

Lisa DiSilva, Director of Development at Community Solutions, spoke in support of the social host ordinance. She addressed the services this organization provides for youth that overlap with alcohol such as with juvenile justice services, truancy programs, mental health services, sexual assault services and how alcohol plays a part in the actions, decisions, behavior and the victimization of the youth in these programs. She acknowledged that the discussion is not about the youth's actions, but the actions of the adults. This is what the ordinance speaks to. She indicated that she is also speaking as a parent; indicating that there has been an alarming cavalier attitude on the part of many parents about serving alcohol at their homes. She said that it only takes one youth at one home where one adult allows underage drinking to take place; regardless if they are present or not, where a tragedy could easily occur. This could result in a Council chambers being filled with parents and others expressing their outrage and demanding changes be made. She felt the City has an opportunity to do something before a tragedy occurs. She said that many of the Civic students who just left the Council meeting may not always believe they need adult wisdom. However, they need and deserve it. She encouraged the Council to share its wisdom and to consider the changes proposed to the ordinance.

Dina Campeau, Chair of the South County Collaborative, indicated that the Collaborative of over 50 organizations is working to increase access to health and human services in South County. She felt that the way the ordinance is written, the ordinance would look at the responsible adult(s) in the situation. If they are tenants/parents and a party is taking place, the ordinance will look at citing the parents. If there is continued activity at a particular rental unit, attention could be paid to the landlord as it tends to become a nuisance abatement. Including this distinction in the ordinance would clarify the intent, and be helpful. She indicated that she has been asked why amendment to the ordinance is being proposed. She said that this is one component of curbing the availability of alcohol and other substances to youth. She stated that studies have shown that most of the youths who use alcohol are accessing it at their homes or the homes of friends. She provided the Council with statistics, as produced by the National Center on Addiction and Substance Abuse at Columbia University. She addressed her own experience and felt that the youth in the community need to receive the message that underage use is abuse, and that substance abuse is not acceptable based on the development and findings of substance abuse on growing bodies and brains. She felt that a youth's well being would be supported by delaying their access to alcohol during the critical formative years.

Sherry Johnson informed the Council that she was before it several years ago with the Neighbors Against Gateway; expressing concern with the AM/PM that was constructed north of town. She noted that the Council took some measures to restrict the liquor license for the AM/PM based on concerns of access to alcohol. She was pleased to be here this evening to exercise the privilege to voice her concern as a parent and a community member. She said that students are bringing alcohol to schools. She did not believe the ordinance recognizes that alcohol is a drug as it is the number one drug used across the world. She stated that she would be upset if her child was at a home where alcohol was made available with no consequences to the host of the party. She felt that prevention with punitive actions would result in the desired results. She said that the ordinance can be implemented by using existing programs, and could incorporate programs in place in order to get the neighborhoods involved. She requested Council consideration of the matter before it.

Elaine Hays, a home schooling mom and president of the Resident Council at the Jasmine Square Apartments, informed the Council that she was recently exposed to a large teenage population at the apartments, and realized what a problem drinking is outside of her own family. She indicated that she has a sheltered family, and that she is dutiful and watchful of her children. However, she sees other children in the complex with parents who are not as watchful. She acknowledged that Morgan Hill was a small and agrarian community approximately 50-years ago where everyone knew everyone and there was a watchful eye. However, individuals do not know their neighbors these days. She felt that the Social Host Ordinance was designed to help us remember to look out for our kids and those of your neighbors, and be responsible for what our children are doing. She did not believe that we want to lose this generation, and that we need to rally around our youth when they are not able to do so themselves.

Diana Guido Evans, a 23+ year Morgan Hill resident, indicated that she has three boys: a junior at Live Oak High School, a Live Oak High School graduate, and a 9-year old. She indicated that she recently graduated from the Christian Institute and completed drug/alcohol counseling classes. She is developing a business in Morgan Hill called Mothers Against Drug and Alcohol Abuse (MADAA). She stated that she will become a certified California Association of Drug and Alcohol Abuse Counselor, and will have her drug and alcohol counseling license following 4,000 hours of internship. She indicated that she is

14-years in recovery. She related her abuse experiences to the Council. She felt that the proposed \$250 penalty to be an insignificant amount of money compared to the disaster that drugs/alcohol will bring to an individual's life. She felt that alcoholism and drug addiction are preventable diseases. She stated that it is up to the Council and the community to make a difference with this epidemic.

Lori Escobar indicated that she has worked with youths in South County for over 36-years; 20 of those years at the El Toro Youth Center. She informed the Council that the Center takes several youths who want to perform community service because it is required by civic classes and/or their probation department has sent them to the Center. Many of the youths will come to the Center because of alcohol abuse. She informed the Council that two of these youths died; thus, her strong stand on this ordinance. She urged the Council to take a hard look and expand the ordinance. She indicated that the Substance Abuse Prevention Partnership will conduct a community-wide campaign to educate individuals; including apartment managers, agencies that manage apartments, and property owners. Further, the educational campaign could be extended through utility bills and other means.

No further comments were offered.

Council Member Sellers thanked the individuals for attending this evening's meeting and for their comments as they were helpful and enlightening. He did not believe the Council can just adopt the ordinance, pat itself on the back, and feel that it solved the problem. He did not believe the problem could be solved through an ordinance; but it is a problem that can be contained by using legal means. He agreed that everyone is responsible for making sure our youth remain safe, in a secure environment, and not be given the opportunity to abuse alcohol or drugs. He appreciated the offer to step up the educational efforts; especially in schools. Students, parents, landlords, and property owners need to understand the implications of this issue. He felt that it will take everyone working together to get the youth to understand the importance of this issue. He felt that implementing an emergency fee will be another opportunity. He noted that one of the speakers indicated that the \$250 emergency fee may not be enough. If an individual is responsible for a call to the Sheriff's department, consideration should be given to having the individual pay for the impacts. He recommended the Council committee explore fees. He felt that it was important to clarify who will be held responsible for underage drinking (parent, host, etc.). He supported moving forward with the general recommendation, referring this matter back to the Committee to draft an ordinance for Council consideration.

Mayor Tate noted the staff recommended action is for the City Attorney and staff to draft an ordinance; returning to the Council with the ordinance for its consideration. He inquired whether Council Member Sellers was suggesting the ordinance be considered by the Committee before returning to the Council.

Council Member Sellers deferred this question to the Chair of the Committee, Mayor Pro Tempore Carr.

Mayor Pro Tempore Carr recommended the draft ordinance return directly to the Council in order to move it along. He noted that the ordinance would require two hearings. He acknowledged the Committee is receiving good feedback from the Council at this time.

Council Member Grzan would like to see some quantitative indicators for this item, in terms of how many events we are talking about in a year. If the object here is to reduce the number of instances, he would like to see what the numbers are before adopting a policy, and the numbers after a policy is implemented in order to determine whether the ordinance has a measurable impact on the community. He would like to see the ordinance publicized throughout the community and the schools.

Council Member Lee reiterated that anything that returns to the Council should specify clearly how landlords, property managers and property owners will be affected as she sees a difference between these individuals and parents/hosts. She was not stating that these individuals should not be affected by this if there is a continuing problem. In some cases, it may be that landlords do not know what is going on until there is a party of this type, and are alerted to the problem.

Mayor Tate noted that there was discussion, at the Committee level, as to the number of youths in attendance that would constitute a social gathering. He indicated that the Chief of Police initially recommended four or more individuals being present constitutes a social gathering. The Committee, consisting of Mayor Pro Tempore Carr and himself, discussed the number and agreed on 3 or more individuals. He said that the Committee is open to discussing opinions regarding the number.

Mayor Pro Tempore Carr said that the Committee discussed the number 2 as being the number of underage youths drinking for the ordinance to apply.

Council Member Sellers inquired whether a number needs to be included as the Chief of Police discussed the fact that police officers have discretion. If the ordinance is silent on the number, the police officers can use discretion.

Mayor Tate said that if the ordinance is silent to the number, there would be challenges.

Mayor Pro Tempore Carr thanked his colleagues and the support presented this evening for the discussion on this item as they would help clarify some of the issues. He said that the Committee has discussed this issue at two different meetings, and met with the individuals and groups in attendance this evening. He pointed out that in the discussions held at the Committee level, there were a couple of items discussed in terms of how to address similar issues; particular the issue of underage drinking. He said that the ordinance addresses the environment where drinking takes place. This is one of a multi prong approach to getting to the problem of underage drinking. He noted that the Partnership has expressed an interest in using the ordinance in their prevention efforts in the education of youths, parents, and family members, as well as the landlords, sellers of alcohol, teachers and other members in the community who come in contact with youth. He recommended the Council rely on these individuals to assist the City with the ordinance as it discusses the prevention side of underage drinking; using the ordinance as a tool to do so. He felt that it was important to have the term “landlord” included in the ordinance because landlords do not just refer to a residential landlord, but refers to any property landlords where there may be an issue with underage youth going to their facility to drink. The ordinance is one of many tools to be used, allowing discretion by police officers and public safety officials to decide where the approach needs to take place to enforce the ordinance; and attacking the issue of underage drinking. He felt that everyone needs to be a part of the solution when it comes to the health and safety of our youth.

Action: *On a motion by Mayor Pro Tempore Carr and seconded by Council Member Sellers, the City Council unanimously (5-0): 1) **Accepted** the Recommendation of the City Council's Public Safety & Community Services Committee Regarding a Social Host Ordinance; and 2) **Directed** the City Attorney and Staff to Develop and Substantially Expand Current Ordinances that Relate to Certain Social Gatherings and the Law Enforcement Costs Associated with Responding to Them, based upon the staff report and the issues raised this evening.*

18. CONSIDERATION OF AN EXPANDED DANGEROUS DOG ORDINANCE

Chief of Police Chief Cumming informed the Council that this item came from the Public Safety & Community Services Committee. Being proposed this evening is acceptance of the Committee's recommendation to direct the City Attorney and staff to work together to strengthen the City's ordinance at it relates to dangerous dogs. He indicated that the City currently has a good dangerous dog ordinance in place, but it is not perfect. The Committee is suggesting, as a result of a number of incidents that have occurred in the past year where loose dogs attacked individuals, other dogs, or domestic animals (e.g., cats), to authorize dangerous dogs identified as category 2 (e.g., attacks, bites an individual, or severely injures another animal), to be euthanized based on certain behaviors. He informed the Council that this issue was brought before the Committee by several citizens following a serious attack by a pit bull. He addressed the proposed changes to the dangerous dog ordinance as outlined in the staff report.

Council Member Lee inquired how you would define a dangerous dog (e.g., a certain breed, previous history, etc.).

Chief of Police Cumming responded that the current ordinance explains what the dog has to do to be judged as a level 1 or level 2 animal. He informed the Council that the most serious is the level 2 dogs as they have nearly killed other domestic animals, or have attacked and/or bitten in individual. He said that there is an opportunity to euthanize a level 3 animal immediately (e.g., the animal attacks an individual and kills them).

Council Member Sellers inquired whether staff was asking for discretion to be able to euthanize a dog who has demonstrated level 2 behavior.

Chief of Police Cumming said that the Committee is recommending the City lower the level of the threshold in order to be able to euthanize a dog. He clarified that individuals would have a right to appeal before a dog is euthanized through an administrative hearing.

Mayor Tate opened the floor to public comment. No comments were offered.

Mayor Pro Tempore Carr indicated that this was another item brought to the Committee by the community because of a serious incident that occurred. The Committee conducted many sessions where it discussed this ordinance. Several ideas were brought forth by many community members who identified actions taken in other communities. Although the changes being proposed are minor, he felt the improvements to the ordinance are important. The proposed amendments would give the police officers additional authority in curbing dangerous dogs, and stopping any future actions that may take place. He stated that the Committee recommends the Council direct the City Attorney and staff to expand the ordinance from what is currently in place.

Action: *On a motion by Mayor Pro Tempore Carr and seconded by Council Member Sellers, the City Council unanimously (5-0): 1) **Accepted** the Recommendation of the City Council's Public Safety and Community Services Committee to Modify and Strengthen the Dangerous Dog Ordinance; and 2) **Directed** the City Attorney and Staff to Develop an Expanded Dangerous Dog Ordinance.*

City Council and Redevelopment Agency Action

OTHER BUSINESS:

19. OUTDOOR SPORTS CENTER MITIGATED NEGATIVE DECLARATION, PHASE DETERMINATION, AND AUTHORIZATION TO BID

Special Assistant to the City Manager Spier, principal project manager, introduced the project team who has worked on the outdoor sports center: Jim Dumas, senior project manager - design; Glen Ritter, senior project manager – construction phase; Lee Steinmetz, principal with Bellinger, Foster, and Steinmetz; and Recreation & Community Services Director Steve Rymer who will address the operations & maintenance of the Center.

Ms. Spier addressed the outdoor sports center master plan adopted by the Council in December 2004, and the Council policy regarding the outdoor sports center; including the history of the project, to date. In September 2006, the Council directed the project team to proceed with the design of two synthetic turf fields that would meet the budget at \$2.8 million. The architect was also asked to complete the drawings and cost estimates for phase 1 based on a February 1, 2006 Council policy that within the next year, the City would move forward with phase 1 of the master plan adopted in December 2004. She indicated that phase 1 was to include the construction of 1 or 2 artificial turf fields with lighting, and a concession/restroom building. Further, the parking improvements would be made and fencing installed to separate the facility from the CYSA grass maintained fields. The remaining fields would be deferred to future phases and would remain as grass fields with the possibility of CYSA being the operator, in line with the master plan adopted in December 2004. She informed the Council that the mitigated negative declaration before the Council/Agency Board is based on the improvements to the existing sports fields facilities for the combined phase 1A (\$2.8 million) and phase 1B (\$10 million). She clarified that the project team is not adding to the project, but is improving the existing facility. It is being proposed to convert a portion of the existing facility as phase 1A and phase 1B complete.

Lee Steinmetz presented a description of the Phase 1A modified project and Phase 1B complete project.

Ms. Spier requested Council/Agency Board direction regarding Phase 1A modified or Phase 1B complete. She informed the Council that the project team is in the process of completing the bid documents that are due January 29, 2007. The project is to go out to bid in February 2007, with bid openings scheduled for March 1, 2007 in order to stay on schedule, and have the least impact to CYSA who is reviewing their lease. She indicated that the project would be under construction from May to October 2007. She stated that Phase 1 could not fund the installation of sewer and water line connections to support the installation of three drinking fountains, and meet the established budget (approximately \$70,000-80,000 installation costs).

Director of Recreation & Community Services Rymer addressed the estimated operations and maintenance for both phases. Some issues for Council consideration this evening are the review of: established sports center goals; policy issues; potential users of the complex; estimated operations and maintenance expenses; field availability projections; difference in use with/without lights; revenue generating opportunities, and cost recovery scenarios. He indicated that one of the goals was to develop a mix in fields to meet the needs of organized community youth sports groups as an affordable expense to the users of the facility. Another goal was to adopt an operating model that provides for full cost recovery by the third year of operations.

Mr. Rymer indicated that one of the recommendations before the Council/Agency Board is to provide staff with direction and refer the item to the Parks & Recreation Commission (PRC) for their comments. One of the questions before the Council/Agency Board is the appropriate cost recovery level in relation to community access; with lights, without lights, with/without the concession building and the goals for this building. Should the cost to provide lights be included in the rate structure? Should the annual future replacement expenses be included in the field rental rate structure? From the operations stand point, should keys be handed out to the center; or should staff representatives be made available to address customer service/safety issues, cleanliness, manage lights, and other levels of services? Should the revenue already generated from the CYSA contract be applied to operations of the entire 38 acres? He indicated that regardless of the scope, the outdoor sports complex will provide opportunities for soccer, lacrosse and rugby; but would not provide opportunities for baseball, softball, or other sports that require different types of fields at this time. Potential users could be Pop Warner Football, Orchard Valley Soccer, CYSA, and the YMCA youth athletic programs. Depending on the rental structure adopted by the Council, it may have a significant impact on the number of hours that individuals can use the facility. If costs are too high, it may be cost prohibitive for some of the youth programs to utilize the complex. He said that there may be opportunities for private or larger groups to rent the facility at full rates. If the rates are established too low, some of the cost recovery goals may not be met. He indicated that the CYSA organization has the opportunity to access/use the fields. He addressed the estimated operations and maintenance expenses for the two different phases: \$47,000 for phase 1A, and \$71,000 for phase 1B without lights, and \$80,000 for phase 1B with lights. He further addressed the annual future replacement expenses for phase 1A as \$107,000 and phase 1B as \$205,000. He addressed possible rental rate and cost recovery scenarios. He informed the Council that there is no money dedicated to developing a City run program from an expense standpoint, and no revenues associated with these numbers.

Council/Agency Member Lee noted that it was mentioned that potential users were Pop Warner Football, Orchard Valley Soccer, etc. She inquired whether there was any indication as to how much time would be needed by potential users, and how it would fit in with the CYSA schedule. She further inquired whether the CYSA lease was contingent upon building the two new artificial turf fields, or would the lease move forward without the construction of the two new turf fields.

Mr. Rymer said that CYSA has been provided exclusive use of the leases and that they would have access to the fields on weekends. In terms of the direct numbers of hours needed by other community groups, he said that there may be representatives from these organizations in attendance this evening who could respond to the hours needed by the groups. Regarding the CYSA lease, he said that the lease could be signed, and that CYSA would have the ability to utilize other fields. He indicated that it is important to acknowledge that CYSA is assuming all maintenance and operation expenses for the fields. Therefore, the City does not have direct expenses, or out of pocket costs to mow/water the nine fields.

In response to Council/Agency Member Sellers question, Ms. Spier guesstimated that the CYSA uses the fields 16 hours on average on the weekends.

City Manager/Executive Director Tewes informed the Council/Agency Board that in earlier conversations about the outdoor sports complex, CYSA representatives indicated that they used the fields between 40-45 weekends a year; using all the fields on some weekends, and that on some weekends, only using a handful of the fields.

Council/Agency Member Sellers inquired as to the likelihood/opportunity to achieve full cost recovery with Phase 1B in year three as a goal.

City Manager/Executive Director Tewes clarified that when the Council established the goal of 100% cost recovery in the third year, it was the time it was considering the entire 40-acre complex. He indicated that the Council/Agency Board has not yet established a goal for cost recovery for the first phase of this project. He stated that the opportunity for cost recovery occurs when the entire facility is built in a comprehensive manner, and that was the purpose of the goal at the time. It is staff's hope that the Council will identify a cost recovery number for phase I of this project this evening.

Council/Agency Member Sellers said that it would be helpful to be provided with a range of cost recovery scenarios to which the Council/Agency Board can consider.

Mr. Rymer indicated that staff could not speak to a specific range of cost recovery scenarios, and stated that the City can achieve 20% or 50% cost recovery in two years. He said that it is his understanding that there is a need for fields in the region, and that the City can market the facility to attract other users outside Morgan Hill for tournaments. He stated that it would be difficult to state that the City could achieve full cost recovery in three years. He noted that he raised the issue of balancing cost recovery versus community access, and requested the Council/Agency Board identify the balance. In response to Council/Agency Member Grzan's question, he indicated that the cost to change light bulbs was factored into costs.

Council/Agency Member Grzan inquired whether the Council/Agency Board has the opportunity to open up the entire project again as an issue to fund, or does the Council/Agency Board have the opportunity to indicate moving forward with phase 1B.

City Manager/Executive Director Tewes clarified that staff is requesting Council/Agency Board direction with regard to the alternatives it would like to authorize staff to bid. He indicated that approximately a year ago, the Council established the goal of having two synthetic fields and that it provided staff with a budget. A couple of months ago, staff returned to the Council/Agency Board at 50% design stage with estimated costs and pictures (design) of what the \$2.8 million project would look like. The Council directed, at the time, that staff proceed to design the project; but also design the complete project called "1B" in the event additional resources become available. At that time, the Council/Agency Board was considering extending the ability of the Redevelopment Agency to receive tax increment dollars. The Council/Agency Board subsequently took this action and that there is \$331 million in tax increment available. A couple of weeks ago, the Council/Agency Board requested that staff return this evening with an opportunity to decide whether to move forward with the project initially authorized approximately a year ago, or whether it wants to make the project complete at a higher level of expenditures using Redevelopment Agency funds.

Council/Agency Member Carr noted that the phase 1B cost recovery chart includes recovery costs for operation and maintenance for the restrooms and concession building, but not the direct costs for field lighting. One of the issues for Council/Agency Board discussion is whether it wants to remove the cost recovery for the operations and maintenance of the restroom/concession from the general fund and have a specific fee for users who want to use this building.

Mayor/Chairman Tate opened the floor to public comment regarding the mitigated negative declaration and mitigated monitoring and reporting program. No comments were offered.

City Council/Redevelopment Agency Action:

*On a motion by Council/Agency Member Sellers and seconded by Mayor Pro Tempore/Vice-chair Carr, the City Council/Agency Board unanimously (5-0) **Adopted** the Mitigated Declaration and the Mitigated Monitoring and Reporting Program.*

Mayor/Chairman Tate opened the floor to public comment regarding the determination of proceeding forward with phase 1A or phase 1B complete.

Rich Phillips, serving his sixth year as president of the Morgan Hill Pop Warner program, stated that there are approximately 300 children involved in this program and 500 adults who volunteer their time on a yearly basis. Further, this program brings into the community approximately 5,000 visitors from the other Pop Warner programs in the bay area. He indicated that this is a much needed facility for this Program, and would also benefit Orchard Valley Soccer. He informed the Council/Agency Board that they lost the use of the Live Oak football field the past five years. They have been attempting to play all home games at Britton Middle School with limited facilities. He stated that this field has never been resurfaced and that the grandstand has been removed. He indicated that both Sobrato and Live Oak High Schools share the Live Oak High School football field and that they have no options regarding the use of this field. He urged the Council/Agency Board to approve Phase 1B as a facility, concession stand, spectator seating and lights as these items are needed. Doing so would bring in visitors to help stimulate hotel and restaurant economy. With a state of the art fields being proposed, it could be a major revenue generator for the City of Morgan Hill, over and above CYSA and Orchard Valley youth soccer programs. He indicated that there are opportunities for them to host events that would be conference related.

Donovan Mott, representing CYSA, stated that for the past three years, the Council/Agency Board has been receiving input from local youth sports group as to the final configuration of the sports complex. He noted the City has been constrained by a relatively small \$2.8 million budget. Therefore, options were limited to include other improvements to the sports complex. Now that the budget restraint has been potentially lifted, he would like to advocate for Phase 1B as it is the most desirable design. As far as the value of this sports facility to the community, he noted that Rich Phillips mentioned that he has the opportunity to bring in 5,000 visitors to the City of Morgan Hill annually. He indicated that CYSA has brought in an estimated 140,000 visitors to the City of Morgan Hill annually for the past 12 years; operating 40-45 weekends per year. He stated that these visitors are not day trippers as are the visitors who come to Morgan Hill for the Mushroom Mardi Gras and/or Taste of Morgan Hill. He said that the soccer complex, as it exists today, brings in more people and more money to the community than all community events combined. He noted that the existing 38-acres are maintained entirely by the CYSA

organization. He did not believe you can compare the outdoors sports complex to the Centennial Recreation Center, library, Community & Cultural Center or aquatics center because these facilities do not provide as much revenue to the City as this facility would. If cost recovery is to be a determining factor of whether to vote for or against Phase 1B, he recommended the Council/Agency Board consider the hundreds of thousands of dollars brought in to the hotels, restaurants and other community businesses. He requested Council/Agency Board approval of plan 1B as it would add value to Morgan Hill as a youth sports destination.

Bob Benevento, speaking on behalf of Pony Baseball, stated his support of proposal Phase 1B. He noted that there was nothing before the Council/Agency Board that speaks to baseball's advantage. He requested that this be considered in the future vision of the facility as baseball fields were a part of the Master Plan of 2004. He indicated that he has invested three years of his time in attending meetings regarding the outdoor sports complex. He felt that this facility will be an asset to the community. He said that Pony Baseball represented approximately 935 young men/ladies last year. He indicated that Pony Baseball pays \$1.50 per field per day for usage to the Morgan Hill Unified School District. They also pay for utilities and maintain the facility. Pony Baseball believes they are good stewards and a good tenant of the facilities at the School District and will be good stewards/users of the City's facilities. Although they are not a part of the proposal this evening, Pony Baseball requests Council/Agency Board support for proposal 1B.

Dan Ehrler indicated that staff invited him to review the various aspects associated with proposal 1B. Discussed was the potential for a kiosk where the Chamber of Commerce would be able to utilize an area for the promotion of Morgan Hill, and its visitor serving opportunities; extending it to its regional tourism program with the South Santa Clara Valley Tourism Partnership. He felt there would be an opportunity to continue to capitalize the visitors/audience, letting them know more about what Morgan Hill has to offer so that families and/or friends can return at a future date to take advantage of visitor-type services and tourism opportunities.

Note: *The Council/Redevelopment Agency was provided with written correspondence submitted by Mr. Richard Jensen.*

No further comments were offered.

Council/Agency Member Sellers acknowledged that these are not easy decisions to make and stated his appreciation to staff for going through the exercise and providing options for Council/Agency Board consideration. He stated that there are a variety of factors that need to be taken into consideration with several being outlined in the staff report, and some being raised by the speakers this evening. An issue is associated with cost recovery, in the broader sense in terms of achieving the City's economic development and other goals (e.g., filling up hotels; attracting patrons to restaurants and other facilities in place/to be constructed). He felt that it was important to keep these factors in mind as well. He recommended the Council incorporate these factors as it goes through the cost recovery efforts; identifying round numbers to what the City might expect based on current achievements, and what the City has seen in tournaments, and what this would mean to the Transient Occupancy Tax (TOT), restaurants, etc. He felt that some of the work has been done, and that it would be imperative to incorporate this information into the final process. He stated that he has often mentioned the fact that the

City has within its power of becoming a recreational hub for the entire region based on demographics (e.g., who resides in Morgan Hill), as well as geography (e.g., City's location in the region), and based on community desire. He felt that this desire starts at the Council level, and its desire to create quality facilities. He indicated that the City has seen the public's response to newly constructed quality facilities, as well as at the ballot box years ago when the City first placed the facilities before the voters. He felt that it was time for the City to take the lead to construct a facility that is appropriate and adequate; one that will achieve cost recovery, in indirect terms, and improve the image of the community now that the City has the resources to do so. He felt the City has an opportunity, and was pleased that the opportunity presented itself. He stated his support of moving forward with option 1B.

City Council/Redevelopment Agency Action

*Council/Agency Member Sellers made a motion, seconded by Mayor Pro Tempore/Vice-chair Carr, to **Approve** Phase 1B, "Complete" which includes lighting, restrooms, concession and offsite in the amount of \$10 million. This will require additional funding in the amount of \$7.2 million.*

Council/Agency Member Grzan stated that it has been mentioned that this project would bring thousands of dollars to the community, but that he does not have a quantifiable study in front of him that indicates the project would generate directly/indirectly any income to the community.

City Manager/Executive Director Tewes indicated that there has been no study prepared of the affect of Phase 1A or Phase 1B on added room nights in Morgan Hill. He stated that there have been several efforts to develop data about the affect of an additional room night. He has made some assumptions about what room rates are these evening, and suggested that for every 100 room nights, it adds \$1,000 to the City's general fund. He said that it would be up to those who are sponsoring the activities to tell the Council/Redevelopment Agency how many room nights they might be generating.

Council/Agency Member Grzan indicated that the City does not have a study that tells the City how many room nights can be generated with events, or how many restaurants would seat individuals, how many gallons of gas would be purchased, or how many grocery stores would be impacted. It was his belief that direct/indirect economic benefits are conjectures at this time.

City Manager/Executive Director Tewes agreed the City does not have an analysis on the affect of the proposals. He indicated that CYSA and soccer tournaments bring in individuals from out of town who spend nights in the hotel, and spend monies in restaurants/downtown. However, whether or not this facility will add more to the economy is a question of how many events are to occur.

Council/Agency Member Grzan said that it is known for a fact that the CYSA organization caters primarily to outside individuals, and that the majority of the individuals using the existing fields are not Morgan Hill residents. He did not want to see a \$10 million facility become a sports hub for South County. He did not believe that creating a regional facility was the purpose of what the Council/Agency Board was here to do. As a Council member, he has to address the needs of this community. He stated that he would serve the community best by building a field where 100% of the users are youths from the community. He did not believe the Council/Redevelopment Agency was here to construct an "all star" facility. He indicated that the youth in the community need fields. He was not interested in cost

recovery, but was interested in building a strong economic base within the community, and funding these facilities at no or low cost to the youths and families of the community. He would rather spend \$7 million toward economic development that would bring resources to the community, and allow the City to build the fields at low or not cost to the community. He stated that the whole idea of becoming a regional hub bothers him. He indicated that the aquatics facility was built as though it was going to be a cost recovery regional facility; noting that it has not done what it was projected to do. He inquired how the Redevelopment Agency would be able to use RDA dollars for a recreational facility that is to be located outside of the RDA area boundary.

City Manager/Executive Director Tewes acknowledged the facility in question is located outside the redevelopment project boundaries. He stated that Council/Agency Member Grzan's question is an important one, and was first raised and answered by the Council, sitting as the Redevelopment Agency Board, when redevelopment agency dollars were used to purchase the facility. He indicated that the land was purchased per the redevelopment plan that identified the lack of recreational resources; a blighting influence in the project area. The Redevelopment Agency made the findings required, at the time, to acquire the facility. Now that the facility is owned by the Redevelopment Agency, he stated that it would be appropriate for the Redevelopment Agency to improve the property.

Council/Agency Member Grzan suggested the facility be sold.

Council/Agency Member Lee said that as much as recreation is helpful/good for the youth inside and outside the community, she was not convinced the use of RDA monies for this project goes/meets the essence of redevelopment of combating blight. She expressed concern that it is being assumed that the facility may achieve full cost recovery by the third year. It sounds as though this may or may not happen. She agreed with Council/Agency Member Grzan that the City does not have any firm numbers of the revenue to be generated for the city/community. She acknowledged there are ideas being presented by the sports groups. She said that the aquatics center was built with the assumption that three local swim teams would use the center, and now there are some issues with the teams using the center. She stated that she has serious concerns about using RDA monies for this facility as well with the use of general fund dollars earmarked for other purposes to be used for the maintenance of the facility, if cost recovery is not achieved as has been evident with other facilities.

Mayor Pro Tempore/Vice-chair Carr stated that he has no issues with using RDA funds for the purpose of building this capital project. He noted that this is a project the voters asked the City to build when they put the first RDA in place, and when they were asked to extend the second RDA; identifying uses. He does share a concern about the goal of the project, and who will be the users of the facility. He stated that goals for the City-RDA acquiring and developing the land with RDA funds, was to gain more access for Morgan Hill's kids/youth programs. He understands the current situation is great with the CYSA organization operating and maintaining the facility at no cost to the City. He said that it is the idea to continue with this arrangement until the City completes/builds the entire master plan to a place where the facility is to be used by Morgan Hill residents. He felt that there are some interim steps that need to be kept in mind as the City will not be able to achieve all the goals for the site overnight. He felt that a more fruitful discussion would be the Council's goals for cost recovery. He recalls hearing this past year some remarkable numbers of what the cost recovery would be in recreation services as a department, overall, and that they far exceeded California standards. When you think about recreation

services, the City's cost recovery efforts are extraordinary compared to what other cities in the State of California are achieving. He recommended the Council/Redevelopment Agency Board keep this context and perspective in mind as it thinks about this issue. He indicated that he would like to talk specifically about the policy issues that staff has laid out as it was his belief these would help lead the Council/Agency Board toward a direction. He recommended the Council/Agency Board discuss some of the policy issues as outlined by staff.

Mayor/Chairman Tate stated that this is a tough decision for him. He indicated that when the Redevelopment Agency was extended the first time, the Redevelopment Agency had a series of visioning projects. He said that Mayor Kennedy led the effort of placing several visions in place that were encompassed in several facilities. One of the highest priorities among the facilities was the outdoor sports complex. It was his belief a pressing need for the youth in the community is to have a place to exercise outdoors. He indicated that he would have placed the library as the highest priority with the outdoors sports complex being second on his list; acknowledging that this was the last of the visioning projects to be enacted. He said that the Council/Agency Board is finding a way to make fields available to the youth in the community. He felt that thought needs to be given to what the image of Morgan Hill should be; is it a mud field parking lot with portable restroom facilities, or the development of a facility with amenities. He acknowledged that phase 1B would be an expensive project; the City spending approximately \$7.2 million in additional funding to construct a building as well the installation of lights, parking lot, curb and gutter, etc. Should the project not be constructed at this time, he did not know how more expensive the project would get. He noted the Council/Agency Board has already approved \$1.8 million for this project for the construction of two synthetic fields.

Mayor/Chairman Tate said that making assumptions of 60% utilization with 15% cost recovery would add a burden of approximately \$40,000 per year to the general fund. If the same assumptions are made using 60% utilization with 15% cost recovery; recovering half the costs for use of the lights, he comes to an additional \$25,000 on top of the \$40,000. He felt that this amount sets the absolute maximum of what this project would do to the general fund; costing the City \$25,000 more per year. Because the City is considering moving forward with the additional facilities, a parking lot, and other amenities, the City would achieve better percentage utilization. He felt that a 75%-80% utilization can be achieved with the 1B proposal. In terms of cost recovery, he felt that a higher cost recovery can be established because the City will be providing additional amenities. He indicated that the math he did on this would reduce the additional burden on the general fund to approximately \$18,000. He felt that this is the City's opportunity to complete this project, and to provide the fields for the youth in the community. He recommended moving forward at this time with phase 1B in order to complete the vision that was started in the mid 1990s. He said that it would take the entire master plan to achieve this vision, and the action before the Council/Agency Board this evening will place the City on the path to achieve this vision.

Council/Agency Member Lee said that she understands that a visioning study was prepared in the 1990s that indicated the community wanted the outdoors sports complex. She said that she would make the argument that the vision has changed in the community as there are many new residents in town who may have different priorities. She said the City does not know if this still remains a priority in the community because another visioning process has not been conducted with the newer residents in the community. She said that at some point, the City will need to come up with \$60,000 - \$125,000 in expenses over 12-30 years. She inquired whether these expenses would come from the general fund. She felt the City needs to know where the funding will come from for the replacement expenses.

Council/Agency Member Sellers agreed that half of the community is new. However, you need to keep in mind the City still has the youngest community. He felt that, to some degree, there is an expectation that there will be recreational facilities provided in the community. He felt the City should look at some way to recover some of the funds for the restroom and concession building. He said that there should be a difference in rates charged to residents and non residents. Further, that the City should try to recover the costs for the lights as well, and to some degree, the future replacement expenses (e.g., 50%). Regarding access, staff should determine who should have access, based on safety and security on the use of the facility; incorporating access to the facility into the agreements with the organizations. He felt that the CYSA lease should be taken into consideration and be tied to the facility. It was his belief there would be significant use of the outdoor sports complex by the community's youth, and that by providing additional recreational resources, the City would be reducing the need for public safety as well. He was looking at the prospect of moving forward with this project.

Mayor Pro Tempore/Vice-chair Carr inquired where the dollars from the CYSA lease are accounted for today.

City Manager/Executive Director Tewes indicated that the CYSA lease funds goes into the Redevelopment Agency.

Mayor Pro Tempore/Vice-chair Carr indicated that should the CYSA lease be included, it would lower Mayor/Chairman Tate's calculation of the impacts to the general fund from \$18,000-\$24,000 to \$12,000 per year. He agreed with Council/Agency Member Sellers that the City should be looking at the revenue from the CYSA lease as part of the equation. By looking at the existing lease, this would help the City get closer to a cost recovery goal. In looking at the policy issues, he felt there should be a difference in fees charged residents and non residents. He recommended the City look at some way to factor in the expense of the field lights to the rental rates structure in a fair way so that it does not become over burdensome to users. He stated that he did not want to burden future generations and future council members with replacement fees. He acknowledged that fields would need to be replaced at significant costs. He recommended the City start thinking about replacement fees. He did not know if the City should look at 100% replacement expenses today, or whether future users/community should be thinking about this. He agreed that user access should be a staff decision. He recommended the City find a way to account for the CYSA lease in the outdoor sports complex budget.

Council/Agency Member Grzan did not believe that kids care if the parking lot is constructed of gravel or asphalt. They do not care if there is a coaching meeting room. He felt that the youth in the community just want to play sports, and that this is what the Council/Agency Board is here for. It is his goal/philosophy to provide the community's youth with playing fields and access to playing fields. Regarding cost recovery, he stated that he has a conflict with the Council/Redevelopment Agency's approach. He does not know of any recreation agency that recovers 100% of its costs in user fees. He felt that Redevelopment Agency dollars should be focused on developing economic resources; building up the general fund in order to build recreational facilities at low or no cost to the residents of this community while still providing jobs, housing and other community needs. What is being proposed is trying to make every project become full cost recovery. He said that this is a difficult goal to achieve because full cost recovery includes costs for the replacement of fields, water, lights, etc., when you are looking at individuals who just want to play on the fields. He recommended taking the extra \$7 million and placing it in the bank or invest these funds in the downtown and/or other places in order to generate another \$40,000+ as opposed to "nickel and diming" the sports youth organization.

Vote: *The motion carried 3-2 as follow: AYES: Carr, Sellers Tate; NOES: Grzan, Lee.*

Redevelopment Agency Action

*On a motion by Council/Agency Member Sellers and seconded by Mayor Pro Tempore/Vice-chair Carr, the City Council/Agency Board **Authorized and Appropriated** \$7.2 Million to be funded by Redevelopment Agency Funds by the following vote: AYES: Carr, Sellers, Tate; NOES: Grzan, Lee.*

Council/Agency Member Sellers recommended that the Parks & Recreation Commission (PRC) use Mayor/Chairman Tate's comments as a reference point. Further, that the PRC is to take some time to look at areas where the Council/Redevelopment Agency can achieve cost recovery; developing a recommendation for maximizing the balance of providing community services with cost recovery. He felt the PRC could use Mayor/Chairman Tate's comments as a guide, and that they provide a range on how the City can achieve this balance.

Mayor Pro Tempore/Vice-chair Carr requested the PRC think about the community's use of these fields. It was his belief that by building two synthetic fields, the community's youth would be provided with additional access. He felt that this needs to be taken into account when the PRC gives thought to what the rental rates should be, and how to build this into the CYSA lease for the remaining nine fields. Thought needs to be given to balancing these out in order to provide the greatest access to Morgan Hill sports/youth organizations.

Mayor/Chairman Tate recommended that consideration be given to a larger differential between Morgan Hill and non Morgan Hill users.

City Council Action

*On a motion by Council/Agency Member Sellers and seconded by Council/Agency Member Carr, the City Council/Agency Board, on a 3-1-1 vote with Council/Agency Member Grzan voting no and Council/Agency Member Lee abstaining: **Received** the Report on the Outdoor Sports Center Operations and Maintenance Costs and **Referred** this Item to the Parks and Recreation Commission Directing them to Provide a Rental Rate Recommendation that Satisfies the City Council's Cost Recovery and Community Access Goals.*

*On a motion by Council/Agency Member Sellers and seconded by Mayor Pro Tempore/Vice-chair Carr, the City Council/Agency Board **Approved** Additional Services Request by the Architect in the Amount of \$15,000 by Amending their Contract to \$245,000.00 for Dual Water Systems Design, Shade Structure Design, Monument Entry Sign Design, and Expansion of Building Design Requirements for Phase 1B "Complete" by the following vote: AYES: Carr, Sellers, Tate; NOES: Grzan, Lee..*

20. **REDUCTION OF TRAFFIC AND SEWER IMPACT FEES** – *Redevelopment Agency Resolution Nos. MHRA-266 and MHRA-267 and City Council Resolution Nos. 6080, 6081 and 6082*

Business Assistance and Housing Services Director Toy presented the staff report, recommending that the Redevelopment Agency and City Council adopt the appropriate resolutions making the required findings; authorizing Redevelopment Agency funds to be used to reduce the traffic and sewer impact fee schedule. He addressed who and what projects would be eligible for the traffic and sewer impact fee reduction. He indicated the City could bond for additional capacity at the sewer treatment plant.

Mayor/Chairman Tate opened the floor to public comment.

Dan Ehrler applauded staff for their initiative in bringing this proposal forward. He felt that this is an extraordinary continuation to what the City has been doing this past year; and making a statement about investment into the City's future through an economic development program. It was his belief that proceeding with this action would entice and bring individuals to Morgan Hill who are thinking of moving or expanding their businesses. He encouraged the Council/Redevelopment Agency to approve both actions before it. He said that this warrants further discussions with businesses outside the area and that the City should continue to do everything it can to ensure that they are just as economically viable in order to create a continued growth in the economic development program.

Brad Krouskup, Toeniskoetter Breeding Development, stated that he would never forget the image of hundreds of kids and families using the outdoor sports fields years ago. It was his hope that the City would be able to balance the use of the fields for Morgan Hill residents and continuance of soccer tournaments. It was his hope the outdoor sports complex works out for all interests involved as well as the City. He said it was also his hope the Council would accept staff's recommended action on this item because it would be a positive step in the right direction to be able to assist many retail businesses and businesses across the board in Morgan Hill. He stated that when he started the Madrone Business Park in 2000, it was initially an easy sell to bring businesses to Morgan Hill as it was a robust economy that failed a year later. He indicated that it is a difficult sell at this time, and that reduction in sewer and traffic impact fees would help the situation. He said that everyday, he fights to bring a great restaurant to Morgan Hill. He felt that there has been a great partnership with the City, and that it was his hope that it would continue in the future.

Note: *The Council/Redevelopment Agency was provided with written correspondence submitted by Mr. Richard Jensen.*

No further comments were offered.

Council/Agency Member Grzan noted that the action before the Council/Agency Board is a part of the larger Redevelopment Agency funding, and that he did not know what other projects are proposed for funding. He indicated that it is the City's goal to intensify and develop the downtown; expanding the economy in the downtown. He does not know how this action would meet the other Redevelopment Agency goals and objectives. He acknowledged the City has redevelopment agency funding, and that it can be spent today. However, if it is the City's goal to be able to achieve a sustainable economy in the downtown, he wanted to know what this means and what will it take to achieve this goal. Is it a goal to build a parking lot or an underground parking facility? He recommended the City identify a vision for the downtown, and that there be discussion on how this vision can be sustained. He was not sure how this part fits in with all the other parts. Although the recommendation to reduce sewer and traffic impact

fees is a good one, he was not sure that it would attract/bring the kinds the businesses the City would like to have. He has a vision for the downtown that it be a destination place where individuals come to meet. He felt the City should have a picture and a vision of what the downtown should be.

Council/Agency Member Sellers felt that the question that needs to be asked is whether there is something else that is of a higher priority, or is this a first good step? Regardless of what other actions the Council/Agency may take, he felt that reduction of sewer and traffic impact fees is a first good step. He stated that he was supportive of moving this item forward as recommended by staff; acknowledging that the City would be looking at other items such as the downtown plan, etc. He agreed that there will be future discussions about other priorities.

Mayor Pro Tempore/Vice-chair Carr felt this was an opportunity the City needs to move forward with as quickly as possible. He indicated that the Council/Agency Board has been stating for the past year that the infrastructure relating to development would be the focus. He felt that infrastructure is the basis for what redevelopment agencies are all about in order to facilitate economic development. He indicated that the comments he hears from developers relates to impact fees, and felt that this is where the issue lies.

Council/Agency Member Lee stated that she supports the comments as expressed by the Council/Agency Board Members. She indicated that she was excited about the recommended actions to reduce impact fees. With these fee reductions, it was her belief businesses will start looking toward locating in Morgan Hill.

Mayor/Chairman Tate stated that he too would like to review the entire plan. He said that he had the intention of shifting the extension of the RDA with the focus and highest priority toward economic development. He noted the City has been told by the Chamber of Commerce for several years that the number one inhibitor the City faces in economic development are the impact fees. He indicated that he liked Council/Agency Member Grzan's vision for downtown Morgan Hill. However, he was ready to move forward with this item.

Redevelopment Agency Action:

*On a motion by Agency Member Sellers and seconded by Vice-chair Carr, the Agency Board unanimously (5-0): 1) **Adopted** Resolution No. MHRA-266, approving the payment by the Agency of all or a part of the land for and the cost of the installation and construction of public traffic infrastructure improvements needed to serve the Ojo de Agua Community Development Project Area; and **Adopted** Resolution No. MHRA-267, approving the payment by the Agency of all or a part of the land for and the cost of the installation and construction of an expansion of the wastewater treatment facility needed to serve the Ojo de Agua Community Development Project Area. 2) **Authorized** the Expenditure of Agency Funds to Pay for Certain Traffic and Sewer Improvements.*

City Council Action:

*On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Carr, the City Council unanimously (5-0): 1) **Adopted** Resolution No. 6080, adjusting Traffic and Sewer Development Impact Fees; **Adopted** Resolution No. 6081, approving the payment by the Morgan*

*Hill Redevelopment Agency of all of the value of the land for and all or part of the cost of the installation and construction of public traffic infrastructure improvements needed to serve the Ojo de Agua community development project area; and **Adopted** Resolution No. 6082, approving the payment by the Morgan Hill Redevelopment Agency of all of the value of the land for and all or part of the cost of the installation and construction of an expansion of the waste water treatment facility needed to serve the Ojo de Agua Community Development Project area. 2) **Adjusted** the City's Traffic and Sewer Impact Fee Schedules.*

City Council Action

OTHER BUSINESS:

21. PRESENTATION OF INDUSTRIAL LANDS AND SOUTHEAST QUADRANT (SEQ) MARKET STUDY, AND DISCUSSION OF NEXT STEPS

Mayor Tate opened the floor to public comment. No comments were offered.

Action: By consensus, this item was **rescheduled** to January 24, 2007.

FUTURE COUNCIL-INITIATED AGENDA ITEMS

No items were identified.

ADJOURNMENT

There being no further business, Mayor/Chairman Tate adjourned the meeting at 11:02 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY